

AMENDED IN ASSEMBLY MAY 6, 2009

AMENDED IN ASSEMBLY APRIL 14, 2009

CALIFORNIA LEGISLATURE—2009—10 REGULAR SESSION

ASSEMBLY BILL

No. 1536

Introduced by Assembly Member Blakeslee

February 27, 2009

An act to amend Section 379.6 of the Public Utilities Code, relating to energy.

LEGISLATIVE COUNSEL'S DIGEST

AB 1536, as amended, Blakeslee. Clean technology incentive program.

Under existing law, the Public Utilities Commission (PUC) has regulatory authority over public utilities, including electrical corporations, as defined. Existing law requires the PUC, in consultation with the State Energy Resources Conservation and Development Commission (Energy Commission), to administer, until January 1, 2012, a self-generation incentive program for distributed generation resources.

This bill would instead require the PUC, in consultation with the Energy Commission, to administer the clean technology incentive program for distributed generation until January 1, 2012, *for the purposes of deploying distributed generation technologies that the commission determines require ratepayer incentives to achieve commercialization and produce benefits for ratepayers commensurate with their contribution to the costs of the program.* The bill would additionally authorize incentives to be provided pursuant to the program for energy storage facilities meeting certain requirements, *would specify that hydroelectric facilities are not eligible for the program, and would*

delete certain combustion-operated distributed generation projects from eligibility. The bill would delete the commission's existing authority to include other ultraclean and low-emission distributed generation technologies, as defined, in the program. The bill would limit program costs to no more than \$75,000,000 per year.

Vote: majority. Appropriation: no. Fiscal committee: yes.

State-mandated local program: no.

The people of the State of California do enact as follows:

1 SECTION 1. Section 379.6 of the Public Utilities Code is
2 amended to read:

3 379.6. (a) (1) The commission, in consultation with the Energy
4 Commission, shall administer, until January 1, 2012, the clean
5 technology incentive program for distributed energy resources
6 originally established pursuant to Chapter 329 of the Statutes of
7 2000.

8 ~~(2) Except as provided in paragraph (3), the extension of the~~
9 ~~program pursuant to Chapter 894 of the Statutes of 2003, as~~
10 ~~amended by Chapter 675 of the Statutes of 2004 and Chapter 22~~
11 ~~of the Statutes of 2005, shall apply to all eligible technologies, as~~
12 ~~determined by the commission, until January 1, 2008. specified in~~
13 ~~subdivision (b). The purposes of the program are to deploy~~
14 ~~distributed generation technologies that the commission determines~~
15 ~~require ratepayer incentives to achieve commercialization and~~
16 ~~produce benefits for ratepayers commensurate with their~~
17 ~~contribution to the costs of the program.~~

18 ~~(3)~~

19 (2) The commission shall administer solar technologies
20 separately, ~~after January 1, 2007,~~ pursuant to the California Solar
21 Initiative adopted by the commission in Decision 06-01-024, as
22 modified by Chapter 8.8 (commencing with Section 25780) of
23 Division 15 of the Public Resources Code and Article 1
24 (commencing with Section 2851) of Chapter 9 of Part 2.

25 ~~(b) Commencing January 1, 2008, until January 1, 2012,~~
26 ~~eligibility for the program pursuant to paragraphs (1) and (2) of~~
27 ~~subdivision (a)~~

28 (b) Distributed generation technologies that are eligible for the
29 program shall be limited to the following:

(1) Fuel cells and wind distributed generation technologies that meet or exceed the emissions standards required under the distributed generation certification program requirements of Article 3 (commencing with Section 94200) of Subchapter 8 of Chapter 1 of Division 3 of Title 17 of the California Code of Regulations.

(2) Energy storage facilities that *use emerging technologies not in commercial use* and meet any of the following requirements:

(A) The facility stores energy generated from an eligible renewable energy resource pursuant to Article 16 (commencing with Section 399.11).

(B) The facility is capable of responding to Independent System Operator commands to either absorb or dispatch electricity from the electrical grid and is capable of storing the electricity for a minimum of two hours.

(C) The facility is capable of providing frequency or area control error regulation required to integrate intermittent eligible renewable energy resources and maintain reliable operation of the electrical grid.

(D) The facility stores energy during off-peak periods and dispatches electricity during peak periods.

~~(e) Eligibility for the clean technology incentive program's level 3 incentive category shall be subject to the following conditions:~~

~~(1) Commencing January 1, 2007, all combustion-operated distributed generation projects using fossil fuel shall meet an oxides of nitrogen (NO_x) emissions rate standard of 0.07 pounds per megawatthour and a minimum efficiency of 60 percent. A minimum efficiency of 60 percent shall be measured as useful energy output divided by fuel input. The efficiency determination shall be based on 100 percent load.~~

~~(2) Combined heat and power units that meet the 60-percent efficiency standard may take a credit to meet the applicable NO_x emissions standard of 0.07 pounds per megawatthour. Credit shall be at the rate of one megawatthour for each 3.4 million British thermal units (Btus) of heat recovered.~~

~~(3) Notwithstanding paragraph (1), a project that does not meet the applicable NO_x emissions standard is eligible if it meets both of the following requirements:~~

~~(A) The project operates solely on waste gas. The commission shall require a customer that applies for an incentive pursuant to this paragraph to provide an affidavit or other form of proof, that~~

1 specifies that the project shall be operated solely on waste gas.
2 Incentives awarded pursuant to this paragraph shall be subject to
3 refund and shall be refunded by the recipient to the extent the
4 project does not operate on waste gas. As used in this paragraph,
5 “waste gas” means natural gas that is generated as a byproduct of
6 petroleum production operations and is not eligible for delivery
7 to the utility pipeline system.

8 (B) The air quality management district or air pollution control
9 district, in issuing a permit to operate the project, determines that
10 operation of the project will produce an onsite net air emissions
11 benefit, compared to permitted onsite emissions if the project does
12 not operate. The commission shall require the customer to secure
13 the permit prior to receiving incentives.

14 (d) In determining the eligibility for the clean technology
15 incentive program, minimum system efficiency shall be determined
16 either by calculating electrical and process heat efficiency as set
17 forth in Section 218.5, or by calculating overall electrical
18 efficiency.

19 (c) *Hydroelectric facilities are not eligible for the program*
20 *described in this section.*

21 (e)

22 (d) In administering the clean technology incentive program,
23 the commission may adjust the amount of rebates, include other
24 ultraclean and low-emission distributed generation technologies,
25 as defined in Section 353.2, and evaluate other public policy
26 interests, including, but not limited to, ratepayers, and energy
27 efficiency and environmental interests.

28 (f) On or before November 1, 2008, the Energy Commission,
29 in consultation with the commission and the State Air Resources
30 Board, shall evaluate the costs and benefits, including air pollution,
31 efficiency, and transmission and distribution system improvements,
32 of providing ratepayer subsidies for renewable and fossil fuel
33 “ultraclean and low-emission distributed generation,” as defined
34 in Section 353.2, as part of the integrated energy policy report
35 adopted pursuant to Chapter 4 (commencing with Section 25300)
36 of Division 15 of the Public Resources Code. The Energy
37 Commission shall include recommendations for changes in the
38 eligibility of technologies and fuels under the program, and whether
39 the level of subsidy should be adjusted, after considering its
40 conclusions on costs and benefits pursuant to this subdivision.

~~(g)~~

(e) (1) In administering the clean technology incentive program, the commission shall provide an additional incentive of 20 percent from existing program funds for the installation of eligible distributed generation resources from a California supplier.

(2) “California supplier” as used in this subdivision means any sole proprietorship, partnership, joint venture, corporation, or other business entity that manufactures eligible distributed generation resources in California and that meets either of the following criteria:

(A) The owners or policymaking officers are domiciled in California and the permanent principal office, or place of business from which the supplier’s trade is directed or managed, is located in California.

(B) A business or corporation, including those owned by, or under common control of, a corporation, that meets all of the following criteria continuously during the five years prior to providing eligible distributed generation resources to a self-generation incentive program recipient:

(i) Owns and operates a manufacturing facility located in California that builds or manufactures eligible distributed generation resources.

(ii) Is licensed by the state to conduct business within the state.

(iii) Employs California residents for work within the state.

(3) For purposes of qualifying as a California supplier, a distribution or sales management office or facility does not qualify as a manufacturing facility.

(f) *The commission may authorize the expenditure of no more than seventy-five million dollars (\$75,000,000) per year for the program, including incentive payments and program administrative costs.*

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